

## MOBILE BANKING SHIFTING TO OVERDRIVE

by [Steve Brown](#)

At a recent presentation, we presented an overview of mobile banking and mention that while not an immediate threat, the technology does have the ability to change the face of banking 3+ years out. We talked about mobile banking and gave an example of how kids text message back and forth all day. We suggested bankers explore text messaging more as it not only helps us communicate, but allows us the most efficient way to get market updates, weather and a variety of other services. We text a stock symbol and get back the current bid, ask and last trade. After the presentation, a banker added another thought that it wasn't only kids that text messaged, but that as a parent with a teenager, he found it the best way to communicate with his child. In fact, he often texts his son in his upstairs room to come down for dinner. Aside from the quasi-email like qualities of text messages, the cell phone also acts as a smart, smart card. The cell phone can not only store much more information than a smart card, but where a smart card has to be on a reader to get updated information, data on the cell phone, such as account balances, rates, promotions or authorizations, can be refreshed at any time. For security, cell phones excel versus a smart card as not only can a higher level of security take place (better authentication and encryption), but it can be disabled within 30 seconds. Well, for those who were not paying attention, mobile banking has arrived in the U.S. Yesterday, Bank of America announced it had completed rolling out its mobile-banking service to more than 20mm online banking customers across the country. Under the new service, these customers can use cell phones to check their account balances, pay bills and transfer money. Following suit overseas, Barclays bank said it had begun offering mobile banking to its own 1.9mm online banking customers (must have something to do with that LaSalle/AMRO bid they are trying to win). Perhaps they both read the recent research from Celent, who indicated 35% of online banking customers will use mobile banking in the next 3Ys. In fact, the study went on to say so-called "contactless payments" through a cell phone will reach 10% of the market by that same time period. Banks seeking customers may also take note that studies indicate as much as 40% of those aged 25 or younger said mobile financial services would be a major factor in choosing a bank. Let's face it, as stationary phones in homes are replaced by cell phones, people are becoming more and more mobile. This, in turn, is why estimates show as much as 70% of customer calls to their bank will come from mobile phones within the next 3Ys. National banks are using mobile banking to expand loyalty programs, market and support aggressive expansion into the contactless payments space. Wells Fargo's mobile banking program specifically targets business customers and even delivers cash management reports. The bank said that by the end of the year it will allow business customers to approve wires. Finally, Commerce Bancorp (NJ) announced a mobile banking program that allows customers to track stocks, review world news, monitor bank accounts and get other financial information. So, grab a phone and send someone a text message today. Try it around the branch quickly, however, because 3Ys is right around the corner.

### BANK NEWS

#### **M&A**

Southside Bancshares (\$1.82B, TX) will buy Fort Worth National Bank (\$126mm, TX) for \$36.5mm or 2.65x book. This will add 4 offices to Southside's existing 35.

#### **ILC Bill Passed**

The House overwhelmingly passed H.R. 698, a bill blocking giant retailers like Wal-Mart and Home Dept from owning ILCs. The bill would prohibit new commercially-owned ILCs effective January 29, 2007. There are currently 61 ILCs with a total of about \$141B in assets and \$98B in deposits.

### **Online Banking**

HSBC said it would not follow other large banks and offer hand held card reading devices to online banking customers. The devices are an extra step in fraud protection, but HSBC said its current anti-fraud measures were more than adequate. It backed this statement up by saying the bank has "by far the lowest fraud rate of any other bank."

### **Application Analysis**

The FRB has denied only 25 bank applications out of the 13,500 that have been submitted since 1988. The FRB indicated few were declined as most were "typically in sound financial and managerial condition."

### **Restructuring**

Marshall & Ilsley Corp said it will separate its banking business from its Metavante payment processing business into separate, publicly traded companies.

### **GDP**

A survey of economists done by the National Association of Business Economics states that economists are predicting that the GDP will only increase by 2.1% this year, the lowest since 2002, because of the housing debacle. The same group, however, predicts that GDP will jump 3.1% in 2008 due to rising investment spending and inventories.

### **Mortgage Payment**

American Home Mortgage Corp. is teaming with American Express to allow customers with certain mortgages to make their monthly mortgage payments with an American Express card. To enroll in the program customers will have to pay a \$395 initiation fee to the lender.

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